

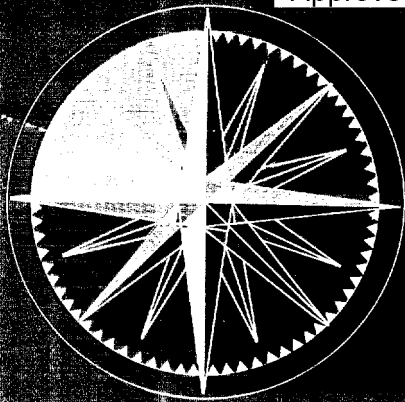
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CURRENT INTELLIGENCE WEEKLY SPECIAL REPORT

PROBLEMS FACING BALAGUER'S DOMINICAN GOVERNMENT

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CENTRAL INTELLIGENCE AGENCY
DIRECTORATE OF INTELLIGENCE

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PROBLEMS FACING BALAGUER'S DOMINICAN GOVERNMENT

The strongest political asset of the new Dominican president, Joaquin Balaguer, is the clear mandate he received in the 1 June elections. The 57 percent of the vote he received has helped create a honeymoon period during which he has been able to rapidly consolidate his hold on the executive, the congress, and the judiciary; it has also aided in dispelling the suspicions of some regarding the legality of his victory.

Balaguer has already begun to attack many of the intractable problems besetting the country --left-wing radicalism, military and right-wing intransigence, economic stagnation--and his success in coping with these over the next six months or so will be a major factor in the ability of his regime to survive its full four-year term.

The Dominican people clearly rejected the turmoil, conflict, and instability that they felt were attached to Juan Bosch and his "constitutional" supporters. Rightly or wrongly, the voters seemed to feel that the programs and ideology of Bosch and the "democratic" left were not sufficiently differentiated from those of the Communists. While a majority of Dominicans appeared to favor the ouster of the Reid regime in April 1965--hoping its demise would lead to improved economic conditions, a reduction of military influence, an elimination of corruption, and a return to some form of constitutional rule--they clearly rejected the anarchy and bitterness that came in its wake.

Balaguer's Election Mandate

Although favoring law and order, the Dominican electorate has not endorsed the status quo. The voters seemed to respond to Balaguer's campaign slogan of "neither injustices nor privileges" and were attracted by his promises of a better life. Indeed, Balaguer has probably heightened expectations among

impoverished urban and rural masses, who now expect his victory to lead to an unrealistically rapid improvement in their condition. Thus, paradoxically, Balaguer's commitment to gradual reform and development may have laid the groundwork for future instability.

Moreover, many of the conservative politicians, business-

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RESULTS OF 1 JUNE DOMINICAN ELECTION

FOR PRESIDENT

Balaguer 57.7% (769,265 votes)	Bosch 39.4% (525,230 votes)	Bonnelly 2.9% (39,535 votes)
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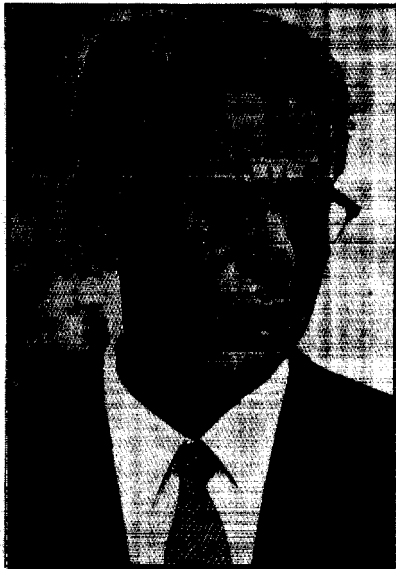
FOR SENATE
(27 seats)

Reformist Party 81% (22 seats won)	19% (5 seats won)	Dominican Revolutionary Party
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FOR CHAMBER
OF
DEPUTIES
(70 seats)

Reformist Party 65% (48 seats won)	35% (22 seats won)	Dominican Revolutionary Party
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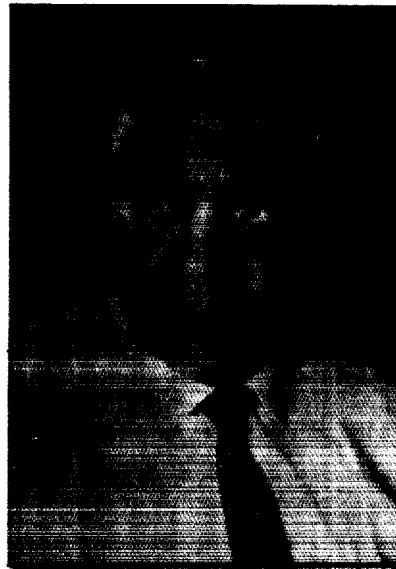
PRESIDENT BALAGUER



Joaquin Balaguer was named president by Trujillo in 1960 when the dictator attempted to counter international pressure on his regime by improving its image. Balaguer had faithfully served the regime for years, but was never linked to its brutality or corruption. He served as president in his own right from 30 May 1961, the date of Trujillo's assassination, until January 1962, when he went into exile in New York City. Balaguer (59) was not born to wealth but was well educated and is respected as a writer, educator, and diplomat.

he shuns the dramatic, and his career has been free of scandal.

VICE PRESIDENT LORA



Francisco Augusto Lora's recent political career has been devoted to advancing the political interests of Balaguer, who has considerable confidence in his vice president. Lora was charged with direction of the Reformist Party during Balaguer's exile. Described as a man of honesty and integrity, he has a conservative political outlook. He is a 56-year-old lawyer who appears to be an able administrator.

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men, and military officers who backed Balaguer did so only hesitantly and will resent attempts to undercut their traditional political influence and social and economic power. In addition, Balaguer rules from a capital city where popular support is weak and where some leftist groups remain unreconciled to his power. Dominican political loyalties are notoriously fickle, as demonstrated by the apathy that greeted Bosch's ouster in 1963, and the support the President now has could be quickly eroded.

Balaguer as President

Some measure of Balaguer's intentions can be taken from his motivation for seeking office and his conception of the powers of the presidency. Balaguer's presidential ambitions never dimmed after his ouster from that post in early 1962. He saw himself as capable of containing Dominican political conflict and of channeling the people's energies into a reconstruction of the social and economic order. He has publicly acknowledged that he seeks to vindicate his earlier performance as president and to dispel his image in history as a docile servant of Trujillo.

Running through Balaguer's public and private statements is the urgency he feels to overcome the "crisis of authority" and to free a government administration "virtually sunk in the quagmire of chaos." Balaguer's emphasis on order and firmness

corresponds to the centralized structure of Dominican government and has apparently been welcomed by the many Dominicans who traditionally expect authoritarianism.

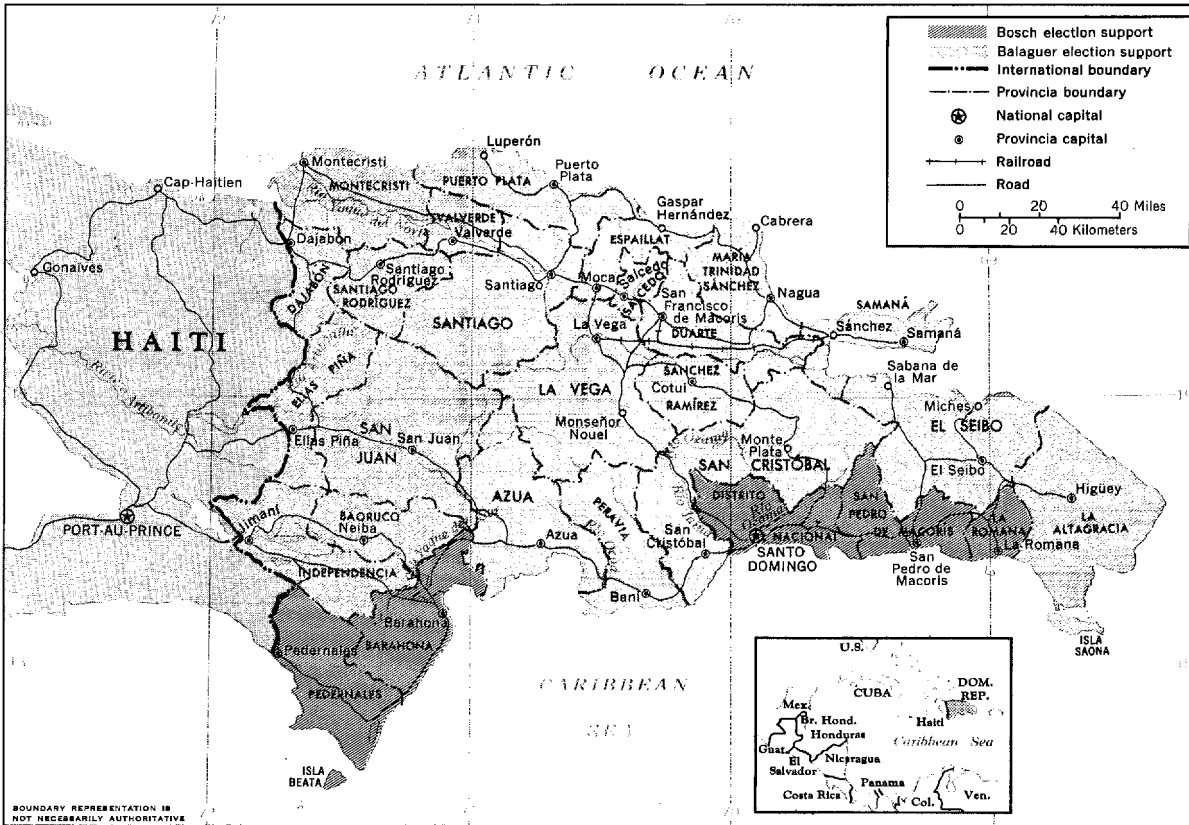
While Balaguer will dominate his administration, it would be misleading to suggest that he will be rash or reckless in his use of power. He seems to consider carefully his actions, although he appears to limit his consultations before making a decision. He is a political realist and appears to be a keen analyst of Dominican political forces. This was demonstrated by his accomplishments as president in 1961 when, despite intense and conflicting pressures, he presided over the ouster of the Trujillo family and the disbanding of the dictator's political machine and secret police while reinstituting political freedoms.

Balaguer has stated that he does not intend to rely on his Reformist Party (PR) as the main prop of the regime. The party, which has been little more than a personal vehicle to propel Balaguer into power, lacks the grass-roots organization and leadership to serve as an effective political machine. Balaguer's initial actions suggest that he will not use government patronage and funds to build up the party. However, when the presence of only one major PR leader in the cabinet caused grumbling in party ranks, Balaguer promised the faithful more political gravy in the future.

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DOMINICAN REPUBLIC



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Extremist demonstration in Santo Domingo, where Communist strength is centered.

SELECTED DATA

POPULATION: 3.6 million (1965) [increasing at 3.5% annually]

UNEMPLOYMENT: about 30%

GROSS NATIONAL

PRODUCT: \$870 million (1964)

\$738 million (1965)

Per Capita GNP \$250

US AID: \$96 million in 1965

SECURITY FORCES STRENGTH: Army—11,600;

Navy—3,750; Air Force—3,750; Police—7,830.

The security forces receive about 30% of the \$200 million national budget.

INTER-AMERICAN PEACE FORCE

STRENGTH: 6,700 (U.S. 5,000)

COMMUNIST STRENGTH: about 3,000 members in three parties

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With mounting conservative and left-wing pressure likely, Balaguer may be tempted to strengthen the PR so as to mobilize his rural backers, who presently cannot make their sentiments felt in the capital.

Balaguer's cabinet designations seem primarily designed to pay off personal and political--if not party--debts but have been sadly lacking in technical competence or administrative experience; for example, he named his family's gynecologist as foreign minister. The inclusion of two moderate members of Bosch's Dominican Revolutionary Party (PRD), as well as representatives of minor conservative political groupings, was designed to fulfill Balaguer's promise to establish a "government of national unity." Most cabinet members have demonstrated their loyalty to the President's cause, and the few who haven't are likely to be replaced.

Balaguer will probably rely heavily on a small group of personal advisers. Ramon Castillo, the minister of interior and police, who is widely suspect in liberal circles for his indiscriminate anti-Communism, has already taken on some trouble-shooting assignments. Luis Julian Perez, a respected conservative whose name was broached in June 1965 for the provisional presidency, appears to be a key economic adviser. Jose Quezada, PR treasurer and Balaguer loyalist, has acted as intermediary between the President and the US Embassy. Based on his past loyalty to Balaguer, Vice President Lora

can be expected to play a substantial role in policy implementation although he is reportedly piqued that his responsibilities are as yet small.

One disquieting aspect of the President's mode of operation is his failure to delegate substantial authority and his apparent desire to keep close tabs on all developments. Balaguer's assumption of personal control over the large and problem-ridden Dominican Sugar Corporation, for example, could lead to his overburdening himself with minor administrative details.

The Left-wing Opposition

The Balaguer government has gained widespread acceptance among the non-Communist left as the country's "constitutional" regime. Even some radical leftists who yelled fraud in the days after the election have come around to accepting the legitimacy of the election and have indicated that, at least for the present, they will eschew violence. In addition, some leftists have been impressed by Balaguer's apparent commitment to reform and have been heartened by his refusal to engage in political suppression.

However, many elements in the Dominican leftist coalition--youth and labor groups, the Social Christians, radicals in Bosch's party as well as the Communists--retain an undiminished revolutionary zeal. Their concentration in the capital strengthens their influence and

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should Balaguer begin to lose public confidence, they could easily stimulate unrest and a possible attempt at future upheaval.

Despite his crushing defeat at the polls, Juan Bosch has retained his status as spokesman for the left. Bosch's position has been buoyed by his political acumen and oratorical skills, as well as by the absence of any other leftist figure of similar prestige. While Bosch's long-term political future is bleak and it is unlikely that he will again risk repudiation at the polls, he is well suited to his opposition role.

Bosch, with characteristic idealism, has said he will lead a "creative and democratic" opposition that will serve as a model for other Latin American nations. His major goals will be to ensure political freedoms, in part so that his own party can operate freely, and to press for far-reaching economic and social changes. So far, Bosch appears somewhat frustrated in his inability to influence the Balaguer regime and he has failed to recognize the weakness of his minority PRD congressional bloc in the face of the occasional steamroller tactics of Balaguer's Reformistas.

It seems likely that for the immediate future Bosch will continue on his charted, relatively moderate course--although he has not completely shunned such tactics as mass demonstrations and the general strike. He will probably continue to picture him-

self as "the people's advocate" and is likely to press for military reforms. Tensions will probably develop between Bosch and the President over specific issues, but these may be tempered by the cordiality and respect that in general has marked their personal relationship. In addition, Balaguer has on several occasions consulted with Bosch--a move that surely flatters the latter's ego.

One possible area for a clash between the left and the President is among the country's labor groups. During the campaign, Balaguer spoke heatedly against the disruption of the country's economy by a "minority" and discussed in vague terms the need for "restructuring" the nation's predominantly leftist labor unions in order to lessen their political influence. Despite this rhetoric, Balaguer so far has moved with caution in the labor field. While banning strikes in government offices and instituting a wage freeze, Balaguer has frequently reassured labor that he does not intend to jeopardize its interests, particularly through job slashes. For his part, Bosch has publicly gone on record as willing to support organized labor in any confrontation with Balaguer.

Dominican democracy is at best fragile and some in the Balaguer and Bosch camps have shown little tolerance for debate. Balaguer, for example, has called some of Bosch's barbed statements "infantile" and malevolent." The adoption of a policy of

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political repression--likely to be pressed on Balaguer by some of his backers if Bosch's criticism proves too effective--would enable many leftists to label the regime as "dictatorial" and would play into the hands of extremists who need a means to attract the essential support of non-Communists if subversion and violence is to be effective.

The extreme left has been quiet for the past two months after over a year of turbulence and agitation. In part, this quiescence reflects the internal divisions that rend the three Communist parties. For example, the pro-Peking Dominican Popular Movement is presently split three ways. Unable to unite on a common course of action, the Communists also have been kept off balance by uncertainty over the government's policies and by fear that any untoward move would unleash a wave of repression.

Balaguer has called for a policy of coexistence with the Communists but has made it clear that if they "throw themselves into opposition without restraint," the government will move quickly to check them. The President has been vague in spelling out policies to cope with the gains Communists have made among youth, university students, and labor, although he moved quickly to expunge Communist influence in the judiciary and reportedly has offered financial aid to a conservative-oriented university. For the present, at least, Balaguer will probably try to keep

the extremists off balance through minor harassment. If a confrontation occurs, it will be largely because of the actions of the Communists themselves.

The Communist groups do not seem ready to resort to insurgency as long as the Inter-American Peace Force (IAPF) remains. Some extremists, however, convinced that they and their allies could have defeated the Dominican military, will be tempted to tangle with the security forces after the final departure of the IAPF--now slated for late September. Although the form this possible insurgency may take remains unclear, many extremists retain a blind faith in guerrilla warfare despite their past failures to attract significant peasant support. On the other hand, the Communists retain the capability to disrupt Santo Domingo with little warning. Their arms caches in the city have remained intact and they have gained valuable experience in urban conflict. They have also retained a hold on the university, which could become a focal point for violence.

No matter what course the extremists take, their political isolation at this time gives them the capability to be only an irritant--albeit a major one. They remain dependent on recruiting non-Communist support and seizing on latent popular discontent in order to become a serious threat to the government's stability.

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The Military

Balaguer begins his term in office with the acceptance of the military, who generally were pleased by his victory over the deeply disliked Bosch. The support of the armed forces may be short lived, however, as Balaguer has privately voiced endorsement of "far-reaching" military reforms which the US Embassy feels he is "determined to press."

Balaguer has said he hopes to encourage the policies initiated by provisional president Garcia Godoy and to divorce the military from politics and partisanship while promoting "professionalization and efficiency." The President, who has expressed interest in the US Embassy's military reform proposals, has spoken of the need for troop reductions and a lower military budget.

The President at times has appeared somewhat overconfident about his ability to make changes in the military establishment, saying he sees "no insurmountable obstacles" to carrying them out since he feels he has the support of "responsible" officers. Although there has been some decrease in the military's involvement in politics, and the most corrupt and brutal officers of the Trujillo era have been removed, the military remains an essentially conservative force, jealous of its own interests and prerogatives.

Balaguer's initial actions may have caused some officers to adopt a skeptical attitude toward "their" candidate. Balaguer's program of pension and salary reductions have thinned some officer's wallets and implementation of his sweeping injunctions against graft and corruption will, if enforced, also hurt. The President's retention of the military chiefs installed in the wake of Garcia Godoy's confrontation with the armed forces probably disturbed some officers who had been maneuvering for positions. Balaguer's actions in handling other military problems, such as the rebel military, and Colonel Francisco Caamano, could also create military disgruntlement.

In recent conversations with foreign officials, the President has expressed some concern over his ability to handle the military after the departure of the IAPF. He told one foreign official he feels that if necessary the "US Marines could be flown into the Dominican Republic within five hours." When Balaguer agreed to the phased withdrawal of the IAPF, he did so with the proviso that he could request a delay, and his recent statements have led to speculation that he may well do so.

Right-Wing Conservatives

Complicating the President's relations with the military will be the attitude of conservative and right-wing civilian interests. Many of Balaguer's proposed

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economic and social reforms strike at the wealth and privilege of upper-class businessmen and landholders. During his campaign Balaguer warned these groups that they would be asked to sacrifice and he reiterated this in his inaugural address. The extreme rightist minorities affiliated with the upper stratum of Dominican society have always opposed infringements on their privileges and can be expected to enter into intrigues with right-wing military figures should they feel Balaguer's reforms are prejudicial to them.

The Economic Problem

A key task of the Balaguer regime will be to stimulate growth-without-inflation in the badly foundering Dominican economy, which has been virtually stagnant since 1958. The average Dominican is among the most inadequately fed, housed, doctored, and educated Latin Americans--and has increasingly come to realize it.

Balaguer's campaign statements have probably heightened public expectations, particularly among his rural supporters, that there will be an improvement in the economic lot of the people. While on the hustings, Balaguer promised increased employment, better housing, lower living costs, and a general redistribution of income. The public, moreover, probably recalled Balaguer's 1961 presidential term when his economic largesse in the form of reduced

prices and increased wages proved popular.

To meet these heightened public expectations, Balaguer has given first priority to the launching of an emergency investment program over the next six months. The program, to be underwritten by some \$40 million in US aid, places heavy emphasis on the creation of jobs for upwards of ten percent of the nation's approximately 300,000 unemployed. It should also serve to stimulate the economy by creating work for still others.

Although the investment program is badly needed, other fundamental adjustments in the economy are required to promote development. Balaguer's ability to implement them is untested, however, and his early June consultations with the US Embassy gave the impression he had no comprehensive economic program in mind. Nevertheless, his early actions and stated goals ultimately may lead to far-reaching reforms.

Balaguer appears to recognize the importance of channeling resources into the agricultural sector as the most effective means of promoting increased production in the economy. Through the emergency investment program, he is seeking to encourage agricultural diversification from sugar to livestock and such crops as corn, beans, fruits, and vegetables, and to put idle land to work in conjunction with an agrarian reform program. The

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government's desire to retain its rural political base will enhance the attractiveness of stimulating agricultural development.

A major effort toward long-term, basic institutional reform of the economy was launched on 20 July when Balaguer spelled out proposals for major revisions in the operation and organization of the Dominican Sugar Corporation (CAD). Although CAD is the country's biggest employer with some 70,000 workers and the principal producer of the country's key export, it has been a major drag on the economy. It is burdened with some 10,000 to 15,000 excess workers, has production costs above even the favorable price offered by the protected US market, and has extremely inefficient management, in part because of political packing by members of Bosch's party.

Balaguer's CAD reform proposals place considerable authority over the corporation in the hands of the President. Balaguer has said he will use his new power to rationalize management, reallocate resources and employment into the private sector, and get CAD out of politics. He may yet temper his reforms, however, in the interest of turning CAD into a PR bastion or of using the "national patrimony" to spur employment.

Balaguer's initial intentions concerning government expenditures and operations suggest that he will gradually implement economic reforms in this

area. Like most politicians before him, Balaguer has shied away from making badly needed cuts in the bloated government bureaucracy. Expressing concern over the social costs of unemployment, and wishing to avoid a premature run-in with leftist government labor unions, he has indicated a preference for gradually shifting workers into more productive employment.

Upon his inauguration, Balaguer launched a much publicized "drastic austerity" program, including salary cuts for upper- and middle-echelon civil servants and military personnel as well as reductions in government pensions. Although the program represents an attempt to cut operating expenditures, it will result in the reallocation of only about \$5 million--less than three percent of total government expenditures--suggesting that Balaguer was as much concerned over its political and psychological impact as its economic substance.

Balaguer has given US officials the impression that he does not fully grasp the critical nature of the country's balance-of-payments deficit--which this year may amount to \$70 million. Balaguer is hoping for an increased share of the US sugar quota and an inflow of private capital once investors regain confidence in the country's stability. However, he appears to overestimate the impact of these developments, which are by no means certain in any case.

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The payments problem will probably become more acute--and its financing more expensive--over the next six months or so as foreign exchange reserves become depleted. Balaguer's advisers quickly rejected devaluation when this corrective was pressed on them in June. In emotional terms, they predictably called such a move "unthinkable," saying it would lead to the fall of the government. Nevertheless, under prodding from international lenders they may come to consider some form of devaluation backed by substantial foreign assistance as more attractive than resorting to drastic import restrictions. Since the government lacks strong economic control mechanisms, the danger of devaluation is that the benefits may be frittered away in a round of wage and price increases that could exaggerate the country's fundamental economic problems.

Outlook

Balaguer has taken office with widespread acceptance and sustained enthusiasm among his partisans. His initial actions, some of considerable significance, have evoked few public protests. It does not appear

he will soon have a major confrontation with any of the principal Dominican political groupings. Nevertheless, Balaguer's regime faces economic, social, and political problems so deep-seated and of such severity that it is not at all sure it will be able to survive a four-year term.

Even with the best of intentions and continued substantial foreign assistance, Balaguer can make in the immediate future only a dent in the massive economic problems facing the country. This may not be enough to prevent the dissipation of the regime's election mandate, and would thus increase its vulnerability.

Balaguer will probably come under increasing fire from the military and privileged civilian interests if he vigorously presses his pledged reforms. Moreover, he is unlikely to obtain substantial support among the left and Communist and pro-Communist extremists will try to exploit latent discontent. Balaguer will approach these problems with intelligence and caution but he may be pressed to adopt strong measures to curb any public unrest.

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